

BEFORE THE
UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package
Contracts 2 (MC2013-51)
Negotiated Service Agreement

Docket No. CP2016-166

PUBLIC REPRESENTATIVE COMMENTS CONCERNING
MODIFICATION ONE TO GLOBAL RESELLER EXPEDITED PACKAGE
CONTRACTS 2 NEGOTIATED SERVICE AGREEMENT

(August 24, 2016)

The Public Representative hereby provides comments pursuant to a Commission notice.¹ In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing Modification One to Global Reseller Expedited Package (GREP) Contracts 2 negotiated service agreement (Modification One).²

In Order No. 3316, the Commission included the original agreement that is the subject of this docket within the GREP Contracts 2 product.³ The Postal Service seeks to add Modification One to the GREP Contracts 2 Negotiated Service Agreement. Notice at 1. The Postal Service filed (under seal) the amended contract and supporting financial data.

Modification One is intended to modify the reseller's current GREP Contracts 2 agreement by amending Article 6 of the agreement, which changes what prices a

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 17, 2016.

² Notice of the United States Postal Service of Filing Modification One to Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, August 16, 2016 (Notice).

³ Order No. 3316 - Approving Additional Global Reseller Expedited Package Services 2 Negotiated Service Agreement, PRC Docket No. CP2016-166, May 23, 2016.

reseller may offer for certain customers, and adding an additional Annex 3 to the agreement". Notice at 1.

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification, as well as the modifications to the original contract and the financial data filed under seal with the Postal Service's Notice. Based upon that review, the Public Representative concludes that the contract, as amended, satisfies 39 U.S.C. § 3633.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

Based upon a review of the financial data, the amended terms of the agreement, including prices in Annex 3, GREP Contracts 2 should continue to generate sufficient revenues to cover costs during the contract's term and therefore meet the requirements of 39 U.S.C. § 3633(a). The Postal Service did not update the prices in its workpapers to reflect the prices in Annex 3. Using the lowest possible prices under the agreement in the financial workpapers helps ensure that the estimated cost coverage is not overstated. However, the Amendment includes a revenue threshold the reseller has to achieve to qualify for the prices in Annex 3. Based on the Postal Service's revenue projection for the contract partner, the contract partner would not reach the threshold to qualify for the prices in Annex 3. Therefore, the Postal Service's cost coverage projection is reasonable. Additionally, the Public Representative updated the Postal Service's financial model to reflect the prices in Annex 3 and verified that even if the contract partner met the threshold, the cost coverage is sufficient to demonstrate compliance with the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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